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RUSTON CITY JUDGE'S OFFICE

**FINANCIAL REPORT
SEPTEMBER 30, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

4/2/08

RUSTON CITY JUDGE'S OFFICE

FINANCIAL REPORT SEPTEMBER 30, 2007

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DON M. MCGEHEE

(A Professional Accounting Corporation)

P.O. Box 1344

205 E. Reynolds Dr., Suite A

Ruston, Louisiana 71273-1344

INDEPENDENT AUDITOR'S REPORT

Honorable Danny Tatum
Ruston City Judge's Office
P.O. Box 1821
Ruston, LA 71273-1821

I have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the Ruston City Judge's Office, a component unit of the City of Ruston, Louisiana, as of and for the year ended September 30, 2007, which collectively comprise the Ruston City Judge's Office's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Ruston City Judge's Office's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the aggregate remaining fund information of the Ruston City Judge's Office as of September 30, 2007, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and page 17 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, I have also issued my report dated February 6, 2008, on my consideration of the Ruston City Judge's Office's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of my audit.



Don M. McGehee
Certified Public Accountant
February 6, 2008

REQUIRED SUPPLEMENTAL INFORMATION
Management's Discussion and Analysis



RUSTON CITY COURT

DANNY W. TATUM
Judge

P.O. Box 1821
401 North Trenton Street
Ruston, Louisiana 71273-1821
Phone (Voice & TDD)
(318) 251-8614
Fax: (318) 251-8619

WANDA W. NEELES
Clerk

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2007

The discussion and analysis of the performance of the Ruston City Judge's Office provides an overview of the financial activities for the year ended September 30, 2007. It is based upon currently known facts, decisions, and conditions. Please read it in conjunction with the financial statements which begin on page 7.

Basic Financial Statements

The basic financial statements include government-wide and fund financial statements. The government-wide statements consist of a Statement of Net Assets and a Statement of Activities and provide information about the financial activities of the Office as a whole. The government-wide statements present a long-term view of the finances. Fund financial statements consist of the respective fund's balance sheet and the fund's statement of revenues, expenditures and changes in fund balance, if applicable. The fund statements tell how services were financed in the short-term and what remains for future spending. The primary difference between the fund and government-wide statement presentation methods is that expenditures for capital assets are expensed in the fund financial statements but capitalized and depreciated in the government-wide statements.

The Judge's Office reports all of its financial operating activity as a single governmental activity (i.e., general fund), and uses a combined approach in presenting the fund financial statements and the government-wide statements by reconciling, through an adjustment column, the fund statement amounts to the government-wide statement amounts. The Judge's Office also reports information about monies being held by them as an agent for others in the fiduciary fund. The Judge's Office is responsible for ensuring that all assets held for others are distributed as ordered by the court and cannot use the assets held for others to finance its operations.

Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the funds maintained by the Judge's Office as a whole and about its activities in a way that helps answer one of the most important questions asked, "Is the Judge's Office, as a whole, better off or worse off as a result of the year's activities?" These statements report information about the Judge's Office as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is a method similar to accounting used by most private-sector companies. All revenues and expenses of the current year are reported under this method regardless of when cash is received or disbursed.

These two statements report net assets and the changes in the net assets of the Judge's Office. You can think of net assets - the difference between assets and liabilities - as one way to measure the financial health, or financial position, of Judge's Office. Increases or decreases in net assets are one indicator of whether its financial health is improving or deteriorating.

The financial activity of all services provided by Judge's Office are reported in the Statement of Net Assets and Statement of Activities. Expenses primarily include salaries and related benefits, and office expenses. Court costs and fees received from the defendants and plaintiffs of cases before the court and the on-behalf payments received from the City of Ruston and the State of Louisiana finance most of these activities.

Government-Wide Financial Analysis

As noted above, net assets may serve as a useful indicator of an entity's financial position. The net assets of the Judge's Office increased \$109,629 in the current year. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the governmental activities of the Judge's Office to help explain this increase.

Table 1
Total Net Assets

	2007	2006
Current Assets	\$ 708,341	\$ 592,683
Capital Assets	141,988	166,941
Total Assets	<u>850,329</u>	<u>759,624</u>
Long-Term Liabilities	75,000	100,000
Other Liabilities	10,452	4,376
Total Liabilities	<u>85,452</u>	<u>104,376</u>
Net Assets:		
Investment in Capital Assets, Net of Related Debt	66,988	66,941
Unrestricted Net Assets	<u>697,889</u>	<u>588,307</u>
Total Net Assets	<u>\$ 764,877</u>	<u>\$ 655,248</u>

About 91% (\$697,889 of \$764,877) of total net assets is unrestricted in 2007 compared to 90% (\$588,307 of \$655,248) in 2006. Virtually all of the increase in unrestricted net assets is composed of cash. Unrestricted net assets can be used to finance the day-to-day operations of the Judge's Office without constraints.

Table 2
Change in Net Assets

	2007	2006
Program Revenues:		
Court Costs and Fees	\$ 192,997	\$ 226,970
On-Behalf Revenue	340,301	321,760
General Revenues:		
Miscellaneous Income	46	0
Interest Income	24,438	12,127
Total Revenues	<u>557,782</u>	<u>560,857</u>
Program Expenses		
General Government-Judiciary	107,852	101,034
On-Behalf Expenses	340,301	321,760
Total Expenses	<u>448,153</u>	<u>422,794</u>
Increase in Net Assets	<u>\$ 109,629</u>	<u>\$ 138,063</u>

Court costs and fees revenues decreased about 15% (\$192,997 compared to \$226,970) from the prior year. Interest income increased about 102% (\$24,438 compared to \$12,127) from the prior year. General government expenses increased about 7% (\$107,852 compared to \$101,034) from the prior year. The net effect of the differences resulted in a \$109,629 increase in net assets for the year ended September 30, 2007 versus the \$138,063 increase in net assets in the previous year.

Fund Financial Statements

As of September 30, 2007, the general fund reported a fund balance of \$697,889, which is about 19% (\$697,889 compared to \$588,307) higher than last year's fund balance. During 2007, court costs and fees revenue declined while interest income increased, as described above. On-behalf revenues increased 6% (\$340,301 compared to \$321,760) primarily due to an increase in salaries and retirement expense. Expenditures, excluding the on-behalf amounts, decreased about 57% (\$107,899 compared to \$252,734) from the prior year mainly due to a decrease in capital outlay.

General Fund Budgetary Highlights

The Judge's Office amends its budget when there are unexpected differences between actual and anticipated revenues and/or expenditures. The final amended budget was adopted just prior to year end. The differences between the original and final amended budget were a 3% (\$16,300) decrease in revenues and a 6% (\$25,295) decrease in expenditures. The change in budgeted revenues was primarily the result of a \$25,900 decrease in court costs and fees, representing a 12% change, and a \$9,100 increase in interest income, representing a 94% change. The change in budgeted expenses was primarily a downward adjustment of 42% (\$18,000) for capital outlay and various downward adjustments for other expenditure categories. There were no other significant budget adjustments.

Capital Assets

In 2007, the Judge's Office did not purchase any capital assets. For the upcoming year, there are plans to continue making annual lease payments on the purchase of the new computer software which was included in the budgeted capital expenditures, but there are no plans to make any other purchases. There are no plans to issue debt to finance the lease payments or any other future project.

Currently Known Facts, Decisions, or Conditions

We are not aware of any facts, decisions, or conditions that are expected to have a significant impact on the financial position or results of operations after the reporting date.

Contacting the Judge's Office

This financial report is designed to provide citizens and taxpayers with a general overview of the finances of the Judge's Office and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Ruston City Judge's Office at 401 N. Trenton Street, Ruston, LA 71270.

BASIC FINANCIAL STATEMENTS

RUSTON CITY JUDGE'S OFFICE

GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET ASSETS SEPTEMBER 30, 2007

	<u>General Fund</u>	<u>Adjustments (Note 5)</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash	\$ 698,594	\$	\$ 698,594
Due from Governmental Units	6,277		6,277
Prepaid Expenses	3,470		3,470
Capital Assets, Net	0	141,988	141,988
TOTAL ASSETS	<u>\$ 708,341</u>	<u>141,988</u>	<u>850,329</u>
LIABILITIES			
Accounts Payable	\$ 9,852		9,852
Accrued Liabilities	600		600
Long-Term Liabilities			
Due Within One Year	0	25,000	25,000
Due After One Year	0	50,000	50,000
TOTAL LIABILITIES	<u>10,452</u>	<u>75,000</u>	<u>85,452</u>
FUND BALANCE/NET ASSETS			
FUND BALANCE:			
Unreserved	697,889	(697,889)	0
TOTAL FUND BALANCE	<u>697,889</u>	<u>(697,889)</u>	<u>0</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 708,341</u>		
NET ASSETS:			
Investment in Capital Assets, Net of Related Debt		66,988	66,988
Unrestricted		697,889	697,889
TOTAL NET ASSETS		<u>\$ 764,877</u>	<u>\$ 764,877</u>

See accompanying notes to financial statements.

RUSTON CITY JUDGE'S OFFICE

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>General Fund</u>	<u>Adjustments (Note 6)</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
General Government--Judiciary			
Audit and Accounting Fees	14,817		14,817
Auto Expense	1,491		1,491
Continuing Education	2,010		2,010
Contract Services	4,275		4,275
Depreciation	0	24,953	24,953
Dues and Subscriptions	926		926
Insurance	32,677		32,677
Judge Ad Hoc	377		377
Library Expense	5,897		5,897
Miscellaneous	352		352
Office Expense	29,130		29,130
Repairs and Maintenance	357		357
Retirement Contributions	50,184		50,184
Salaries	266,295		266,295
Taxes	4,223		4,223
Telephone	659		659
Travel	9,530		9,530
Debt Service--Principal	<u>25,000</u>	<u>(25,000)</u>	<u>0</u>
TOTAL	<u>448,200</u>	<u>(47)</u>	<u>448,153</u>
PROGRAM REVENUES			
Court Costs and Fees	192,997		192,997
On-Behalf Revenue	<u>340,301</u>		<u>340,301</u>
NET PROGRAM REVENUES	<u>85,098</u>	<u>47</u>	<u>85,145</u>
GENERAL REVENUES			
Miscellaneous Income	46		46
Interest Income	<u>24,438</u>		<u>24,438</u>
TOTAL GENERAL REVENUES	<u>24,484</u>		<u>24,484</u>
EXCESS OF REVENUES OVER EXPENDITURES	109,582	(109,582)	0
CHANGE IN NET ASSETS		109,629	109,629
FUND BALANCE/NET ASSETS			
BEGINNING OF THE YEAR	<u>588,307</u>	<u>66,941</u>	<u>655,248</u>
END OF THE YEAR	<u>\$ 697,889</u>	<u>\$ 66,988</u>	<u>\$ 764,877</u>

See accompanying notes to financial statements.

RUSTON CITY JUDGE'S OFFICE

STATEMENT OF FIDUCIARY NET ASSETS SEPTEMBER 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>268,610</u>
TOTAL ASSETS	<u>268,610</u>
LIABILITIES	
Held for Others	<u>268,610</u>
TOTAL LIABILITIES	<u>268,610</u>
NET ASSETS	\$ <u> 0</u>

See accompanying notes to financial statements.

RUSTON CITY JUDGE'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2007

The Ruston City Judge's Office was created on July 8, 1926, under the provisions of Act 157 of the Louisiana Legislature Summer Session. It has territorial jurisdiction extending throughout all of Lincoln Parish, Louisiana. There is one elected judge. The Judge's Office receives court costs and fees for services rendered on civil and criminal cases, in accordance with state law.

The accompanying basic financial statements of the Ruston City Judge's Office are prepared in accordance with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant accounting policies used by the Judge's Office are discussed below:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Ruston City Judge's Office is fiscally dependent on the City of Ruston for office space, courtrooms, related utility costs, and providing the primary funding of salary costs. Because the Judge's Office is fiscally dependent on the City, the Judge's Office was determined to be a component unit of the City of Ruston. For the purposes of this financial report this component unit serves as the nucleus for its own financial reporting entity and issues separate financial statements.

B. Basic Financial Statements

The basic financial statements of the Ruston City Judge's Office include both government-wide (reporting the Judge's Office as a whole) and fund financial statements (reporting each individual fund of the Judge's Office). Since the Judge's Office is engaged in a single government program the government-wide and fund financial statements have been presented in a combined format using an adjustment column to reconcile the fund statements to the government-wide statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All activities of the Ruston City Judge's Office are classified as governmental activities.

C. Fund Accounting

The Judge's Office uses the fund accounting method to maintain its financial records. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain court functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The following funds are used by the Judge's Office:

Governmental Funds

Governmental funds account for all or most of the court's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the Ruston City Judge's Office. The Judge's Office uses one fund, the **General Fund**, to account for all financial resources, except those required to be accounted for in other funds. The General Fund resources are available for any purpose provided they are expended or transferred in accordance with state and federal laws and according to the policy of the Judge's Office.

RUSTON CITY JUDGE'S OFFICE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets. The only funds accounted for in this category by the Judge's Office are agency funds. The agency funds account for assets held by the Judge's Office as an agent for litigants pending court action. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, the agency funds have no measurement focus, but use the modified accrual basis of accounting. Since these assets are being held for a third party and cannot be used for the activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. Measurement Focus/Basis of Accounting

Fund Financial Statements

The amounts reflected in the general fund financial statements and agency fund statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports the sources and uses of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of operations.

The amounts reflected in the general fund financial statements and agency fund statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available).

Measurable means the amount of the transaction can be determined and available means the amount of the transaction is collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Judge's Office considers all revenues available if they are collected within sixty days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred.

Government-Wide Financial Statements

The column labeled Statement of Net Assets and the column labeled Statement of Activities display information about the Judge's Office as whole. These statements include all the financial activities of the court. Information contained in these columns reflect the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program Revenues - Program revenues included in the column labeled Statement of Activities are derived directly from court defendants and plaintiffs as a fee for services and from on-behalf payments made by other governmental units for salaries and benefits of employees of the Judge's Office; program revenues reduce the net cost of the function to be financed from other sources of the court's general revenues.

E. Budgetary Practices

The Judge's Office prepared an operating budget on its General Fund for the year ended September 30, 2007. Budgetary data is prepared based on prior year actual operating revenues and expenditures, and expected differences between actual and anticipated revenues and expenditures. It is monitored by management and amended throughout the year as necessary. The Judge's Office performs only a custodial function in the case of agency funds and therefore a budget for these funds is not appropriate. Appropriations lapse at year-end and must be reappropriated for the following year to be expended.

RUSTON CITY JUDGE'S OFFICE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The 2007 general fund budget was authorized by the Judge, made available for public inspection at the Judge's Office, and adopted by the Judge on September 26, 2007. The budget was legally amended prior to year end by the Judge.

F. Cash

Cash on hand, demand deposits, and time deposits with original maturities of three months or less from the date of acquisition are reported as cash. Time deposits with original maturities in excess of three months from the date of acquisition are reported as certificates of deposit. Bank deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. Pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and certificates of deposit are carried at cost which approximates market value.

G. Prepaid Expenses

Payments made for expenses that will benefit periods beyond September 30, 2007, are recorded as prepaid items in the asset section of the balance sheet.

H. Capital Assets - Governmental-Wide Financial Statements

Capital assets, with an original cost of \$200 or more, are capitalized at cost. Salvage value is estimated to be 5% to 10% of historical cost on most assets. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture, Equipment, and Software	5 -10 years
Improvements	20 years

I. Vacation and Sick Leave

Vacation and sick leave are noncumulative. There are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure at year end.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RUSTON CITY JUDGE'S OFFICE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2007

NOTE 2 - CASH

At September 30, 2007, the Judge's Office has under its control general fund cash and fiduciary fund cash totaling \$967,204 (book balances). The Judge's collected balances with financial institutions at September 30, 2007, is \$974,607 and is secured by \$300,000 of federal deposit insurance and \$674,607 of pledged securities held by the custodial bank in the name of the fiscal agent bank. The pledged securities meet the deposit collateralization requirements of LSA-R.S. 39:1229, which require the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Judge's Office that the fiscal agent has failed to pay deposited funds upon demand. However, the deposits are considered uncollateralized under the provisions of GASB Statement 3.

NOTE 3 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at September 30, 2007, consisted of the following:

Fines and Court Costs Due from the Ruston Ward Marshal \$ 6,277

NOTE 4 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended September 30, 2007, are as follows:

	Balance 10/01/06	Additions	Deletions	Balance 09/30/07
<u>Capital Assets at Cost</u>				
Furniture, Equipment, and Software	\$ 328,735	\$ -	\$ 0	\$ 328,735
Improvements	<u>6,697</u>	<u>0</u>	<u>0</u>	<u>6,697</u>
Totals	<u>335,432</u>	<u>0</u>	<u>0</u>	<u>335,432</u>
<u>Less Accumulated Depreciation</u>				
Furniture, Equipment, and Software	164,079	24,618	0	188,697
Improvements	<u>4,412</u>	<u>335</u>	<u>0</u>	<u>4,747</u>
Totals	<u>168,491</u>	<u>24,953</u>	<u>0</u>	<u>193,444</u>
Net Capital Assets	\$ <u>166,941</u>	\$ <u>(24,953)</u>	\$ <u>0</u>	\$ <u>141,988</u>

NOTE 5 - RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE GOVERNMENTAL-WIDE STATEMENT OF NET ASSETS

At September 30, 2007, assets reported as available for government activities in the Statement of Net Assets are different from the General Fund Balance Sheet as follows:

Fund Balance - General Fund	\$ 697,889
Adjustment for Capital Assets - Capital assets used in governmental activities are not financial resources and therefore are not reported in the general fund balance sheet nor reflected in fund balance for the general fund.	141,988
Adjustment for Long-Term Liabilities - Long-term liabilities are not due and payable in the current period and therefore are not reported in the general fund balance sheet nor reflected in fund balance for the general fund.	<u>(75,000)</u>
Total Net Assets of Governmental Activities	\$ <u>764,877</u>

RUSTON CITY JUDGE'S OFFICE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2007

NOTE 6 - RECONCILIATION OF THE STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

At September 30, 2007, amounts reported for government activities in the Statement of Activities are different from the General Fund Revenues, Expenditures, and Changes in Fund Balance as follows:

Net Change in Fund Balance - General Fund	\$ 109,582
Adjustment for Difference in Capital Outlays and Depreciation - Governmental funds report capital outlays as expenditures while in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. An adjustment is required for the amount by which capital outlays exceeded depreciation expense in the current period.	(24,953)
Adjustment for Capital Leases and Debt Service Payments - Governmental funds report the issuance of a long-term capital lease as other financing sources and the periodic lease payments are accounted for as debt service expenditures. Neither transaction, however, has any effect on net assets in the Statement of Activities. An adjustment is required for the capital lease amount reported as other financing sources reduced by the capital lease payments made in the current period.	<u>25,000</u>
Change in Net Assets of Governmental Activities	\$ <u>109,629</u>

NOTE 7 - LONG-TERM CAPITAL LEASE

The Ruston City Judge's Office entered into a lease agreement to finance the acquisition of computer software to be used in governmental activities. The agreement requires the Ruston City Judge's Office to make five payments of \$25,000 each and allows them to pre-pay any outstanding balance at any time during the term of the agreement, however the total cost of the lease does not change. The lease agreement qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of its future minimum lease payments as of the inception date. The asset acquired through the capital lease is as follows:

Computer Software	\$ 125,000
Less: Accumulated Depreciation	<u>(17,708)</u>
Total	\$ <u>107,292</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2007, are as follows:

<u>Year Ending September 30</u>	
2008	\$ 25,000
2009	25,000
2010	<u>25,000</u>
Total Minimum Lease Payments	75,000
Less: Amount Representing Interest	<u>0</u>
Present Value of Minimum Lease Payments	\$ <u>75,000</u>

RUSTON CITY JUDGE'S OFFICE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **SEPTEMBER 30, 2007**

NOTE 8 - PENSION PLAN

The Ruston City Judge's Office provides retirement benefits to some court employees through contributions to the Louisiana State Employment Retirement System, a cost sharing multiple-employer defined benefit pension plan administered and controlled by a Board of Trustees. The retirement system provides retirement, disability, and death benefits to plan members and beneficiaries. The Louisiana Legislature establishes and amends benefit provisions. The retirement system issues a publicly available financial report. That report may be obtained by writing to Louisiana State Employees' Retirement System, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809, or by calling 1-800-256-3000.

Plan members are required to contribute 11.5% of their annual covered salary, and the Ruston City Judge's Office is required to contribute at an actuarially determined rate of annual covered salary. This year's rate was 19.1% from October, 2006 through June, 2007, and 20.4% from July, 2007 through September, 2007. The contribution requirements of employers are established annually by the Board of Trustees based upon actuarially determined rates. The Ruston City Judge's Office made contributions for the year ending September 30, 2007 of \$8,380, which was the required contribution for that year.

NOTE 9 - ON-BEHALF PAYMENTS

Employees of the Ruston City Judge's Office received salaries and fringe benefits from the City of Ruston and the State of Louisiana. The following is a summary of these on-behalf payments:

Salaries	\$ 263,799
Fringe Benefits	<u>76,502</u>
Totals	\$ <u>340,301</u>

Fringe benefits paid by the City of Ruston and the State of Louisiana include pension plan contributions to the Louisiana State Employees' Retirement System. The City of Ruston also makes pension plan contributions to the Municipal Employees' Retirement System of Louisiana.

REQUIRED SUPPLEMENTAL INFORMATION
Budgetary Analysis

RUSTON CITY JUDGE'S OFFICE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-- BUDGET (GAAP BASIS) AND ACTUAL--GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
REVENUES				
Court Costs and Fees	\$ 224,500	\$ 198,600	\$ 192,997	\$ (5,603)
On-Behalf Revenue	307,000	307,500	340,301	32,801
Miscellaneous	0	0	46	46
Interest Income	9,700	18,800	24,438	5,638
TOTAL REVENUES	<u>541,200</u>	<u>524,900</u>	<u>557,782</u>	<u>32,882</u>
EXPENDITURES				
Capital Outlay--Equipment	43,000	25,000	\$ 0	25,000
Accounting Fees	8,000	10,000	14,817	(4,817)
Auto Expense	70	1,300	1,491	(191)
Continuing Education	1,700	2,000	2,010	(10)
Contract Services	5,800	4,300	4,275	25
Dues and Subscriptions	1,000	950	926	24
Insurance	2,200	2,200	2,011	189
Judge Ad Hoc	750	400	377	23
Library Expense	8,000	6,200	5,897	303
Miscellaneous	900	350	352	(2)
Office Expense	34,502	32,002	29,130	2,872
On-Behalf Expenses	307,000	307,500	340,301	(32,801)
Repairs and Maintenance	1,450	400	357	43
Retirement Contributions	8,300	8,700	8,380	320
Salaries	6,100	2,500	2,496	4
Taxes	425	200	191	9
Telephone	600	700	659	41
Travel	9,800	9,600	9,530	70
Debt Service--Principal	0	0	25,000	(25,000)
TOTAL EXPENDITURES	<u>439,597</u>	<u>414,302</u>	<u>448,200</u>	<u>(33,898)</u>
EXCESS OF REVENUES OVER EXPENDITURES	101,603	110,598	109,582	(1,016)
FUND BALANCE--BEGINNING	<u>575,167</u>	<u>588,814</u>	<u>588,307</u>	<u>(507)</u>
FUND BALANCE--ENDING	<u>\$ 676,770</u>	<u>\$ 699,412</u>	<u>\$ 697,889</u>	<u>\$ (1,523)</u>

OTHER REPORTS AND SCHEDULES

DON M. MCGEHEE

(A Professional Accounting Corporation)

P.O. Box 1344

205 E. Reynolds Dr., Suite A

Ruston, Louisiana 71273-1344

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Danny Tatum
Ruston City Judge's Office
P.O. Box 1821
Ruston, LA 71273-1821

I have audited the financial statements of the governmental activities and the aggregate remaining fund information of the Ruston City Judge's Office, a component unit of the City of Ruston, as of and for the year ended September 30, 2007, which collectively comprise the Ruston City Judge's Office's basic financial statements and have issued my report thereon dated February 7, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Ruston City Judge's Office's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the Ruston City Judge's Office's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Ruston City Judge's Office's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Ruston City Judge's Office's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Ruston City Judge's Office's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. I consider the deficiency described in the accompanying schedule of findings and questioned costs as #2007-1 to be a significant deficiency in internal control over financial reporting.

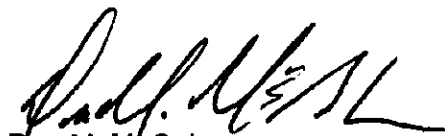
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Ruston City Judge's Office's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider item #2007-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ruston City Judge's Office's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Ruston City Judge's Office, the City of Ruston, and the Legislative Auditor of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Don M. McGehee
Certified Public Accountant
February 6, 2008

RUSTON CITY JUDGE'S OFFICE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

I have audited the financial statements of the Ruston City Judge's Office as of and for the year ended September 30, 2007, and have issued my report thereon dated February 7, 2008. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audit of the financial statements, as of September 30, 2007, resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☒ Yes ☐ No Significant Deficiencies ☒ Yes ☐ No

Compliance

Compliance Material to Financial Statements ☐ Yes ☒ No

Was a management letter issued? ☐ Yes ☒ No

Section II Financial Statement Findings

Finding 2007-1. The Ruston City Judge's Office has too few personnel involved in the accounting system to have adequate separation of duties for internal control.

RUSTON CITY JUDGE'S OFFICE

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2007

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT

FINDINGS

2007-1. Separation of Duties. Too few personnel involved in the accounting system to have adequate separation of duties for internal control.

RESPONSE

The Judge's Office has an accounting workload that can be easily managed by one employee. The hiring of additional employees to provide enhanced internal control does not appear to be the best use of resources.

SECTION II MANAGEMENT LETTER

SUGGESTIONS

No management letter issued.

RESPONSE

RUSTON CITY JUDGE'S OFFICE

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2007

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT

<u>FINDINGS</u>	<u>STATUS</u>
2006-1. Separation of Duties. Too few personnel involved in the accounting system to have adequate separation of duties for internal control.	Unresolved. See 2007-1.
2006-2. Unfavorable Budget Variance. The general fund had an unfavorable budget variance of 31% for expenditures.	Resolved.

SECTION II MANAGEMENT LETTER

<u>FINDINGS</u>	<u>STATUS</u>
2006-1. Incurred debt without the approval of the State Bond Commission. The Judge's Office did not realize that the lease agreement they were entering into required the approval of the State Bond Commission.	Resolved.